

**FINAL DRAFT REPORT OF THE AUDITOR-GENERAL TO NORTH WEST
PROVINCIAL LEGISLATURE AND COUNCIL ON THE FINANCIAL STATEMENTS
AND PERFORMANCE INFORMATION OF NALEDI LOCAL MUNICIPALITY FOR THE
YEAR ENDED 30 JUNE 2009**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Naledi Local Municipality which comprise the balance sheet as at 30 June 2009, the income statement, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages [xx] to [xx].

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the entity-specific basis of accounting as set out in accounting policy note 1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for adverse opinion

Going concern

7. As at 30 June 2009 the current liabilities of the municipality exceeded the current assets by R 38 080 920 and the municipality was unable to service its financial obligations as they become due. The equitable share allocation in terms of the Division of Revenue Act, 2009 (Act No. 12 of 2009) is not adequate to address the financial position of the municipality. Furthermore the non-realisation of assets such as consumer debtors indicates the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. The financial statements did not disclose this fact.

Unauthorised, irregular, fruitless and wasteful expenditure

8. The MFMA section 125(2)(d) requires the municipality to disclose particulars of unauthorised, irregular, fruitless and wasteful expenditure in the notes to the financial statements. The municipality did not disclose such information and I was unable to obtain sufficient appropriate audit evidence to quantify the expenditure. Alternatively, I used information obtained during the audit and the following were not disclosed in the financial statements:
 - Fruitless and wasteful expenditure to the amount of R1 330 475, due to interest paid on the late payment of creditor accounts.
 - Irregular expenditure to the amount of R59 478 039 was incurred during the year as the municipality did not adhere to the supply chain management policy regarding the procurement of goods and services of R2 884 687, and a contract to the amount of R216 376 600 was awarded for building 3 000 houses without following a competitive bidding process as required by the supply chain management policy. The total payments made to the contractor for the financial year amounted to R56 593 352, including an overpayment of R3 052 352.
 - No acting allowance appointment letters could be provided for audit purposes and in terms of the council resolution number 605/2008 dated 28 October 2008, the council resolved that the acting allowance for all employees would be discontinued. The municipality, however, continued to pay acting allowances to employees subsequent to the council resolution. The total acting allowances paid to employees during the year to the amount of R801 747 therefore represent unauthorised expenditure.

Comparative figures

9. I was unable to obtain sufficient appropriate audit evidence to determine the existence, rights and obligations, completeness, valuation and allocation of assets of R135 475 857, liabilities of R114 418 726 and accumulated funds and reserves of R21 057 131 due to most matters giving rise to the prior year's qualifications

remaining unresolved. As a result I was unable to verify the opening balances other than agreeing them to the prior year financial statements.

Revenue

10. I was unable to obtain sufficient appropriate audit evidence for revenue of R118 762 003 included in the income statement. Alternative procedures indicated various discrepancies in all balances included in revenue. Consequently, the occurrence, completeness, accuracy, cut-off and classification of income of R118 762 003 was not confirmed.
11. I was unable to obtain sufficient appropriate audit evidence and calculations for assessment rates income of R17 825 828 and valuations of R381 079 605 included in note 14 to the financial statements. I was unable to perform alternative procedures due to the lack of an updated valuation roll and reconciliation between the valuation roll and revenue received. Consequently I was unable to determine the occurrence, completeness, accuracy and classification of assessment rates income of R17 825 828 included in note 14 to the financial statements

Receivables

12. I was unable to obtain sufficient appropriate audit evidence for debtors of R84 406 882 included in the balance sheet. Alternative procedures indicated unreconciled differences between the age analysis and financial statements of R3 562 299 as well as various discrepancies between the age analysis and the individual consumer accounts. I was unable to perform further alternative procedures due to a lack of reconciliations, unresolved suspense accounts and a lack of sufficient supporting documents. Consequently, I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of debtors of R84 406 882 included in note 10 to the financial statements.
13. I was unable to obtain sufficient appropriate audit evidence for the provision for bad debt of R802 031 included in note 10 to the financial statements. Alternative procedures indicated that the provision is not reasonable. Consequently, I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of the provision for bad debts of R802 031 included in note 10 to the financial statements and I could not practicably determine the understatement in the provision and overstatement of debtors included in the financial statements.

Salaries, wages and allowances

14. The payroll was not reconciled with the general ledger on a monthly basis. As the municipality's records did not permit the application of alternative audit procedures, I was unable to determine the occurrence, completeness, accuracy and classification of salaries, wages and allowances of R56 748 467 included in actual expenditure of R123 671 712 as per the income statement and note 15 to the financial statements.

Creditors

15. I was unable to obtain sufficient appropriate audit evidence for creditors of R51 671 546 included in the balance sheet. Alternative procedures confirmed that creditors are understated, but the amount of understatement could not be practicably determined due to a lack of reconciliations, supporting statements and invoices, and the existence of unresolved suspense accounts. Consequently, I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of creditors of R51 671 546 included in note 13, auditors' remuneration of R661 440 included in note 16, taxes paid of R11 186 614 included in note 29 and outstanding payments of R5 202 260 included in note 30 to the financial statements.

Fixed assets

16. I was unable to obtain sufficient appropriate audit evidence for fixed assets of R43 944 523 included in the balance sheet. I was unable to perform alternative procedures due to the lack of a fixed asset register and a lack of sufficient appropriate supporting documents. Consequently, I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of fixed assets of R43 944 523 included in the balance sheet and note 6 to the financial statements.

Funds and reserves

17. I was unable to obtain sufficient appropriate audit evidence for funds and reserves of R33 157 926 included in the balance sheet. Alternative procedures indicated that funds and reserves of R3 760 125 showed no movement from the previous financial year, raising doubt as to the existence of these funds and sufficient appropriate audit evidence could not be obtained for an adjustment of R13 276 410 to the opening balance for the study bursaries fund as well as the accounting policy note 5.4. Consequently, I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of funds and reserves of R33 157 926 included in the balance sheet as well as note 1 and 2 to the financial statements.

Expenditure

18. I was unable to obtain sufficient appropriate audit evidence for expenses of R21 113 223 included in actual expenditure of R123 671 712 as per the income statement. The entity's records did not permit the application of alternative procedures. Consequently, I could not determine the occurrence, completeness, accuracy and classification of actual expenditure of R123 671 712 included in the income statement.

Long-term liabilities

19. I was unable to obtain sufficient appropriate audit evidence for long-term loans of R653 265 and the short-term portion of long-term liabilities of R2 494 100. The municipality's records did not permit the application of alternative audit procedures. Furthermore, the municipality neglected to account for long-term loans amounting to R2 196 592, resulting in the understatement of long-term liabilities and fixed assets. Consequently, I was unable to determine the existence, rights and obligations,

completeness, valuation and allocation of long-term liabilities of R59 236 833 included in the balance sheet and note 4 to the financial statements.

Year-end journals

20. I was unable to obtain sufficient appropriate audit evidence for year-end journals of R15 937 371. The municipality's records did not permit the application of alternative audit procedures. Consequently, I did not obtain sufficient appropriate audit evidence to determine the occurrence, completeness, accuracy and classification of year-end journals included in all the components of the balance sheet and income statement.

Capital commitments

21. I was unable to obtain sufficient appropriate audit evidence for capital commitments of R9 820 101 included in note 27 to the financial statements. The municipality's records did not permit the application of alternative audit procedures regarding these commitments. Consequently, I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of capital commitments of R9 820 101 included in note 27 to the financial statements.

Trust funds

22. I was unable to obtain sufficient appropriate audit evidence for trust funds of R9 411 095 included in the balance sheet. Alternative procedures indicated that trust funds of R4 754 722 showed no movement from the previous financial year raising doubt as to the existence of these funds. The housing project fund is overstated by R3 052 352 and debtors understated by the same amount as a result of the incorrect treatment of an overpayment made by the municipality. Consequently, I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of trust funds of R9 411 095 included in the balance sheet and note 3 to the financial statements.

Bank overdraft

23. I was unable to obtain sufficient appropriate audit evidence for the bank overdraft of R7 086 164 included in the balance sheet as the municipality has not performed any bank reconciliations since May 2008. Alternative procedures indicated an unreconciled difference of R7 825 509 between the financial statements and the actual bank balance of R739 345 obtained from the bank confirmations. Therefore I could not practicably determine the misstatement in debtors, income, creditors and expenses. Consequently, I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of the bank overdraft of R7 086 164 included in the balance sheet and note 31 to the financial statements.

Inventory

24. I was unable to observe the count of physical inventories stated at R5 499 952, due to limitations placed on the scope of my work by the municipality. The municipality's records did not permit the application of alternative audit procedures regarding inventory. Consequently, I was unable to determine the existence, rights and

obligations, completeness, valuation and allocation of inventory of R5 499 952 included in the balance sheet and note 9 to the financial statements.

Consumer deposits

25. I was unable to obtain sufficient appropriate audit evidence for consumer deposits of R5 196 870 included in the balance sheet. Alternative procedures indicated an unreconciled difference between the consumer deposit register and financial statements of R2 240 662. I was unable to perform further alternative procedures due to the lack of sufficient appropriate audit evidence. Consequently, I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of consumer deposits of R5 196 870 included in the balance sheet and note 5 to the financial statements.

Accumulated deficit

26. I was unable to obtain sufficient appropriate audit evidence and approvals for the appropriations of R4 717 839 included in accumulated deficit of R3 011 828 as per note 16 to the financial statements. Alternative procedures indicated that the re-valuation of inventory for the current year of R624 900 and the current year adjustment to the leave gratitude fund of R3 328 094 were incorrectly recorded in the appropriation account, resulting in the overstatement of the appropriation account and understatement of expenditure by R2 703 194. Consequently, I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of the accumulated deficit of R3 011 828 included in the balance sheet and note 16 to the financial statements.

Provisions

27. I was unable to obtain sufficient appropriate audit evidence for provisions of R2 750 661 included in the balance sheet. Alternative procedures indicated various discrepancies in the leave records of the municipality that were used in calculating the provision. Consequently, I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of provisions of R2 750 661 included in the balance sheet and note 12 to the financial statements.

Investments

28. I was unable to obtain sufficient appropriate audit evidence for investments of R1 993 281 included in the balance sheet as the municipality did not have an updated investment register. Alternative procedures indicated an unreconciled difference of R1 403 019 between the financial statements and the actual investment balances of R590 136 obtained from the bank confirmations. Consequently, I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of investments of R1 993 281 included in the balance sheet and note 7 to the financial statements.

Cash flow statement

29. I was unable to obtain sufficient appropriate audit evidence for amounts and disclosures included in the cash flow statement and notes thereto. I performed

alternative procedures and found incorrect calculations and disclosures in the cash flow statement and notes thereto. Taking into account the misstatements identified in the financial statements and set out in this report, I was unable to practicably quantify the misstatements in the cash flow statement and notes thereto. Consequently, I was unable to determine the accuracy, completeness and presentation and disclosure of the cash flow statement and notes thereto.

Contingent liabilities and contractual obligations

30. I was unable to obtain sufficient appropriate audit evidence to determine the extent of disclosure needed in note 26 to the financial statements of contingent liabilities and contractual obligations. The municipality's records did not permit the application of alternative audit procedures regarding these contingent liabilities and contractual obligations. Consequently, I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of contingent liabilities and contractual obligations included in note 26 to the financial statements.

Adverse opinion

31. In my opinion, because of the significance of the matters discussed in the preceding paragraphs, the financial statements do not give a true and fair view of the financial position of the Naledi Local Municipality as at 30 June 2009, and of the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the MFMA.

Emphasis of matter

32. I draw attention to the following matter on which I do not express an adverse opinion:

Basis of accounting

33. The municipality's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1.

Other matters

34. I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Other information included in the annual report

35. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the financial statements.

Unaudited supplementary schedules

36. The supplementary information set out on pages X to X does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Non-compliance with applicable legislation

37. The municipality did not comply with various requirements prescribed by different legislation. The following being the most important:

Municipal Finance Management Act

38. The mayor did not table the annual budget at a council meeting at least 90 days before the start of the budget year as required by section 16(2).
39. Contrary to section 62, the accounting officer did not take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.
40. Contrary to section 65, creditors were not paid within 30 days.

Municipal Systems Act

41. Interest was not levied on debtors' accounts in arrears for the entire financial year as required by section 97(1)(e).
42. Councillors and executive managers did not declare all their interest in contracts as required by sections 5 and 7 of schedule 1 to the act.

Division of Revenue Act

43. The municipality, after receiving municipal infrastructure grants, did not include a three-year capital budget as part of its 2008-09 budget, which should have included infrastructure programmes that address backlogs in municipal infrastructure required for the provision of basic services as required by schedule 4.

Municipality Property Rates Act

44. The valuation of property was performed in 1995 and not every four years as required by section 32. Supplementary valuations were also not performed at least once a year as required by section 77.

Electricity Regulations Act

45. The National Electricity Regulator did not approve electricity tariffs as required by sections 4(a).

Governance framework

46. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

47. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the adverse opinion. The root causes are categorised according to the five components of an effective system of internal control (the number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for adverse opinion	CE	RA	CA	IC	M
7	Comparative figures	1,5,7		5,6		1,3
8, 9	Revenue	1,5,7		5,6		1,3
10, 11	Debtors	1,5,7		5,6		1,3
12	Fixed assets	1,5,7		5,6		1,3
13	Creditors	1,5,7		5,6		1,3
14	Funds and reserves	1,5,7		5,6		1,3
15, 16	Trust funds	1,5,7		5,6		1,3
17	Accumulated deficit	1,5,7		5,6		1,3
18	Year-end journals	1,5,7		5,6		1,3
19	Long-term liabilities	1,5,7		5,6		1,3
20	Expenditure	1,5,7		5,6		1,3
21	Salaries, wages and allowances	1,5,7		5,6		1,3
22, 23	Consumer deposits	1,5,7		5,6		1,3
24	Bank overdraft	1,5,7		5,6		1,3
25	Investments	1,5,7		5,6		1,3
26	Cash flow statement	1,5,7		5,6		1,3
27	Inventory	1,5,7		5,6		1,3
28	Capital commitments	1,5,7		5,6		1,3
29, 30, 31, 32	Unauthorised, irregular, fruitless and wasteful expenditure	1,5,7		5,6		1,3
33	Contingent liabilities and contractual obligations	1,5,7		5,6		1,3

34	Provisions	1,5,7		5,6		1,3
35	Going concern	1,5,7		5,6		1,3

48. The municipality did not have a chief financial officer for the past three financial years. The deputy manager: financial services was the only person responsible for financial reporting and his support staff was incompetent, resulting in him being overloaded with responsibilities. He was on sick leave for the majority of the audit, resulting in further delays in the submission of information. Furthermore, policies, procedures and proper governance structures were not in place for the year under review. Adding to all of this are the financial difficulties experienced by the municipality, resulting in a breakdown of operations and governance.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not	7

linked to an effective reward system.	
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

49. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

No	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		N
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.	Y	
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		N
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines in section 126 of the MFMA.		N
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.		N
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		

No	Matter	Y	N
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 	Y	
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 	Y	
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 		N
7.	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 		N
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 		N
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		N
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		N
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		N
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		N
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.		N
12.	Powers and duties have been assigned as set out in section 79 of the MFMA.		N
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		N
14.	PPAC resolutions have been substantially implemented.		N
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		N
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	Y	
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68 of the MFMA.	Y	

No	Matter	Y	N
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	Y	

50. There was an overall lack of supervision, monitoring and leadership within the municipality, resulting in a poor governance environment.

Investigations

51. An investigation was being conducted regarding the cash management of the Naledi Traffic Department. The investigation aimed to establish whether all cash received by the traffic department was banked and recorded in the records of the municipality. The investigation was still ongoing at the reporting date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report of performance information

52. I have reviewed the performance information as set out on pages xx to xx.

The accounting officer's responsibility for the performance information

53. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

54. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

55. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

56. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

Functioning of a performance audit committee

57. The performance audit committee did not review the performance management system and make recommendations in this regard to the council of the Naledi Local Municipality and did not submit an audit report to the council regarding the performance management system at least twice during the financial year as required by Municipal Planning and Performance Management Regulations, 2001, regulation 14(4)(a).

Internal auditing of performance measurements

58. The internal audit processes and procedures did not include assessments of the extent to which the Naledi Local Municipality's performance measurements were reliable in measuring the performance of the municipality on key as well as general performance indicators and did not audit the performance measurements on a continuous basis and not submit quarterly reports on their audits to the municipal manager and the performance audit committee as required by Municipal Planning and Performance Management Regulations, 2001, regulation 14(1).

No mid-year budget and performance assessments

59. The accounting officer of the Naledi Local Municipality did not (by 25 January of each year) assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 of the MFMA.

Usefulness and reliability of reported performance information

60. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following findings relate to the above criteria:

Reported performance information not relevant

61. The following targets with regard to the objectives were not:

- specific in clearly identifying the nature and the required level of performance
- measurable in identifying the required performance
- time bound in specifying the time period or deadline for delivery.

Objective	Target
To provide residents with houses	Quarterly reports
Provide water services	Lodged applications

APPRECIATION

62. The assistance rendered by the staff of the Naledi Local Municipality during the audit is sincerely appreciated.

Rustenburg

12 December 2009



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence